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**Observations and Recommendations to the
Jordan Securities Commission on Establishing
Investor Education and Assistance Programs**

Final Report

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- Investors Bill of Rights
- Jordan Securities Commission (JSC)
- Licensed Securities Professionals
- Media Strategy
- National Association of Securities Dealers (NASD)
- Online Complaint Center
- Publications
- Securities and Exchange Commission (SEC)
- Securities Depository Center (SDC)
- Securities Law

Abstract

This report presents the findings of my meetings with representatives from the Jordan Securities Commission (JSC), Amman Stock Exchange (ASE), Securities Depository Center (SDC), AMIR Program and USAID/Jordan and outlines a strategy for the development of an Investor and International Affairs Department at the JSC. This department will serve to increase investor awareness, confidence and knowledge of Jordan's capital market.

The recommendations, action steps and strategies outlined in this report are designed to build on the JSC's existing educational programs, publications and outreach activities. A more formal approach to investor education and assistance is necessary to increase the frequency and effectiveness of the JSC's efforts and reach a larger audience of investors and potential investors. In the report, I outline a comprehensive three-pronged approach to reaching out to market investors through in-person meetings and executive presentations, wider distribution of educational materials and better use of technology and the JSC website as an educational tool.

A critical component of any investor assistance program is the establishment of a formal process for handling investor questions and complaints in a timely, consistent and professional manner. I have included suggestions for receiving, monitoring and responding to investor feedback.

Table of Contents

I.	Executive Summary	1
II.	Observations and Recommendations	2
	A. Steps for Developing an Investor Education Program	2
	B. Suggestions and Starting Points	8
	C. SEC Initiatives to Help Investors to Invest Wisely and Avoid Costly Mistakes	12
	D. Suggestions for Establishing an Investor Assistance Program	14

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I. Executive Summary

During the week of March 28, 2004, I had the privilege of meeting with His Excellency Dr. Bassam Saket Chairman of the Jordan Securities Commission, each of his fellow Commissioners, and senior staff at the JSC to discuss the creation of an International and Investor Affairs Department at the JSC. I also had the opportunity to speak with executives and other representatives of the Amman Stock Exchange, the Securities Depository Center, the AMIR Program, and U.S. AID.

The mission the new department is to increase awareness, confidence, knowledge, and investment in Jordan's capital market and to coordinate the JSC's international relations functions. The specific areas on which I have been asked to provide advice include educating retail investors and implementing a formal process for handling investor questions and complaints. In addition, I have provided in this report general comments concerning ideas for raising public awareness of the JSC and the Jordan capital market.

Over the past several years, Dr. Saket and others at the JSC already have begun to capitalize on a wide array of opportunities to educate multiple audiences — including individual investors, policy makers, judges, and university and graduate school students — about the JSC and the Jordan capital market. Efforts have included meetings with high-level government officials, lectures and PowerPoint presentations for university students, published op-ed pieces, the publication of advertisements and brochures, and the development of slogans.

The next steps should include centralizing the function of investor and public outreach in a single office and tailoring specific messages to target audiences. As explained more fully below, I recommend that the JSC take a 3-pronged approach to reaching individuals: through in-person meetings (especially, but not exclusively, establishing an investor liaison kiosk at the ASE trading gallery), the dissemination of educational materials through new and existing distribution channels, and increasing the educational content on the JSC website and encouraging educational organizations, industry participants, and others to link to the JSC website. The JSC should also implement a formal complaint and question process and include information about this process in all JSC materials and programs aimed at investors.

This report outlines more fully my preliminary observations and includes action items and recommendations.

II. Observations and Recommendations:

A. Steps for Developing an Investor Education Program

1. Identifying the Audience

In general, the first step for developing and launching an investor education program involves identifying the target audience, bearing in mind that several categories of investors with distinctly different needs exist in every jurisdiction. In Jordan, nearly all of individuals with whom I spoke expressed a keen desire to educate the following 4 discreet categories of people:

- Individual retail investors
- University and graduate students
- Judges and other government officials
- Brokers

The only additional segment I could identify that the JSC (along with the ASE or the SDC or both) may want to consider including among its audience is the community of investor relations personnel at public issuers. I am not aware of any formal or informal organization or association of such professionals in Jordan. Even if one does not exist, the JSC should consider reaching out to those individuals at publicly traded companies who have the most contact with the investing public — both to educate and to recruit as partners in education. In the U.S., the National Investor Relations Institutes and the American Society of Corporate Secretaries hold periodic training sessions for investor relations professionals and have, in years past, identified best practices for communicating with retail and institutional investors.

2. Determining Financial Literacy Levels

Having identified one's audience(s), one must then assess the level of knowledge each constituency possesses about saving, planning, and investing concepts and about the Jordan capital market — either by conducting one's own research or looking to the surveys and polls conducted by private sector research groups or other government entities. During my interviews, I was unable to determine the extent to which other financial regulators in Jordan, including the banking and insurance regulators, have conducted any such research. I also did not learn of any investor, consumer, or other advocacy groups that might undertake such research. To the extent that such groups exist in Jordan, it will be critical for the JSE to establish contact and to ascertain whether these groups would be willing to share their research with the JSC or, assuming no conflicts or appearances of impropriety exist, to collaborate on new research.

In the U.S., a variety of privacy, paperwork reduction, and other rules severely constrain the SEC's ability to conduct surveys of individual investors. However, self-regulatory organizations (including NASD — formerly known as the National Association of Securities Dealers — and the New York Stock Exchange), industry associations (including the Securities Industry Association and the Investment

Company Institute), and consumer organizations (such as the AARP — formerly known as the American Association of Retired Persons — and the Consumer Federation of America) frequently conduct polls and prepare statistical analyses to ascertain what investors do and do not know about investing and to determine what investors need to know in order to succeed.

Most recently, in December 2003, NASD posted on its website the results of an online survey that aimed to measure “investor literacy.” NASD hired an outside contractor to conduct this research. You’ll find a link to an executive summary of the survey results on NASD’s website at http://www.nasdr.com/news/pr2003/release_03_054.html. NASD also posted 18 of the survey’s 55 questions as an interactive “Investor Quiz” at <http://www.nasd.com/Investor/Education/Quiz/InvestorQuiz.asp>.

To the extent that it is not feasible at this time for the JSC or other entities to conduct formal surveys or polls, the JSC may wish to consider posting an interactive quiz on its website that not only provides feedback to the investors, but also captures results for the JSC. Although the quiz itself could be anonymous, one or more of the questions could seek basic demographic information (as appropriate), such as age, gender, years of investing experience, and some form of self-description (e.g., “What best describes you?” “I am ... a) an individual investor, b) a student, c) a broker, d) an academic, e) a government official, or f) other.”) The results of the quiz could help the JSC to gain anecdotal information about what investors do or do not know, and the self-descriptions would allow the JSC to gauge the extent to which various segments of the public use the agency’s website.

3. Identifying What Investors Need to Know

Because the capital market in Jordan is relatively young, it may well be safe to assume that individual investors and students know little about investing. I learned during my interviews that many judges are not yet familiar with the new securities law and that at least one prominent government official publicly expressed his view that investing in the Jordan capital market is akin to gambling at a casino.

JSC staff shared with me some of the materials and programs they’ve created for public audiences. Many appear to discuss the new securities law and describe how the Jordan capital market is structured. While this information is enormously important, especially to judges and public officials, potential investors (especially students and individuals who have traditionally sought out banking and insurance products rather than securities) need to be told — in terms they can understand — how investing in the Jordan capital market can fit into their long-term goals and how to invest wisely.

Key messages should include answers to the following questions:

1. **What products exist?** While the JSC has a specific mandate to encourage investment in the Jordan capital market, any primer on investing should ideally cover the full range of financial products available to individuals. Including this information accomplishes two goals. First, it will contribute to the overall

financial literacy of the JSC's constituents, encouraging them to consider securities as one component of a diversified, balanced portfolio. Second, it gives the JSC the opportunity to compare and contrast securities with other products. In the U.S., for example, banking products, such as interest-bearing deposit accounts and certificates of deposit, tend to be very safe but they consistently yield low returns. Stocks, on the other hand, can be more volatile and involve more risk, but historically they've yielded the highest return of any other asset class.

2. **How can I learn more about products and companies?** Several of the individuals I interviewed told me that in Jordan, as in the U.S., investors tend to rely on the recommendations of trusted advisers, including brokers and family members, when making investment decisions. Unlike the U.S. and Europe, however, no investment clubs or shareholder associations exist in Jordan, which means that non-commercial, non-governmental resources for obtaining information about companies and investments are limited. I also learned that investors in Jordan typically do not spend much time reading up on companies in newspapers or other media and tend not to seek out information about companies on their own.

Nevertheless, to build an educated and empowered investor base, it is critical that investors learn that they can — and should — do their own research. Accordingly, it is equally important to tell investors in plain language *how* to take the first steps and what resources exist to help them. Educational materials should help investors to understand:

- a. **What information exists:** The JSC and ASE require companies to disclose key information about management, operations, and financial results. Educational materials should tell investors how to find these categories of information without having to go through a broker — how to obtain copies of key documents from the company, from the ASE, and from the JSC. This should also include tips on how to find information about any lawsuits or regulatory actions that the JSC or ASE has taken against a particular company (e.g., trading suspensions, de-listing actions, fines, or enforcement actions). Although investors may focus on current stock prices, they need to know that key information concerning the fundamentals of public issuers is available any company they own.
- b. **Where to find that information:** Educational materials should also include detailed information on how to obtain quarterly and annual filings from the JSC or ASE. Including links and references to the ASE and JSC's websites obviously will be critical. But the JSC and ASE should also let investors know where else they can get information about the company — including real-time stock prices, current financial information, and any coverage by media and securities analysts. In addition, investors in the U.S. don't always realize that the company itself — especially its website and its investor relations professionals — can be a helpful source of information. It appears the same is true in Jordan, and accordingly investors should be encouraged to request information from the company as well.

- c. **What it means to trade on the first vs. second market:** The representatives of the ASE with whom I met informed me that, beginning in July 2004, Jordan will have two markets — one for seasoned issuers and the most liquid companies and a second market for those companies who await listing on the first market or whose shares have been delisted. Investors should know what it means to trade on one market versus the other. While I have been told that delisting is not common on the ASE, investors should
 - d. **What caveats to observe:** Based on my discussions with JSC and ASE staff, it is my understanding that enforcement actions and investigations typically involve failure by companies to disclose, allegations of insider trading, and manipulation of a security's price. Outright fraud — in other words, sham products or sham companies — does not yet appear to be an issue. Nevertheless, the JSC's educational materials should generally warn investors about the potential for fraud. While this may seem counterintuitive in any active effort to attract investors to the market, the JSC should help investors to recognize and steer away from possible frauds. Many (although certainly not all) frauds in the U.S. involve companies that do not register with the SEC and products that do not trade on national exchanges or the Nasdaq. For that reason, the SEC's educational materials sound a note of caution, encouraging investors to verify independently that a company exists, that its securities are appropriately registered (or that they meet an exemption), and that the person selling the product is licensed to do so.
3. **How can I get information about the person selling me the product?** As in the U.S., investors in Jordan must deal with a licensed securities professional to purchase securities. Jordan has a limited number of brokerage firms and financial professionals, and the financial industry appears to be centralized in Amman and perhaps one other urban center. For those reasons, investors in Jordan may not confront the difficulties and confusion U.S. investors often experience in determining whether a broker is, in fact, licensed and whether the individual or the firm has a history of violations or complaints. Moreover, I learned during my interviews that just as most investors rely on referrals in choosing a broker, some brokers wouldn't take on new or unknown clients without a referral.

Nevertheless, as the capital market grows and more players enter the fray, it will become important to let investors know whether and how they can check out the credentials of an individual or firm. In the U.S., state and federal regulators and SROs encourage investors to search the Central Registration Depository (CRD, now known as "NASD Broker Check") and the Investment Adviser Registration Depository for information about investment professionals. Similarly, standards-setting organizations, such as the Certified Financial Planner Board of Standards (which certifies use of the CFP® mark), help investors learn where to turn for information about financial practitioners. My understanding is that no such databases or watchdog organizations exist in Jordan at this time. In the future, there may be a role for the Capital Market Registered Professionals Association to play with respect to educating the public about the securities industry.

4. **What do I need to know about investing?** Beyond knowing where and how to get information about products and the people who sell them, investors in Jordan should understand the mechanics of setting up a brokerage account. When I inquired about the types of documents investors receive from their brokers, I learned that brokers should (but do not always) provide a copy of the written account opening agreement that discloses commission information and contains information concerning the investor's national identification number, address, and profession. In addition, brokers should provide investors with monthly statements detailing any transactions and the account balance — but apparently many brokers do not yet comply.

Fees and commissions in Jordan, unlike in the U.S., appear to be fixed (and, accordingly, investors do not comparison-shop for the lowest fees or cost structures). To the extent that variables among brokers exist, investors should know generally what those are. Investors should also be aware — prior to signing the account agreement — what their choices are for structuring their accounts and holding their securities. For example, can they choose a cash-only option? Is a margin agreement typically incorporated into the account opening document or does that vary from firm to firm? How will the investor hold his or her securities? If the investor wants to hold a certificate, what procedures must s/he follow to obtain a paper certificate from the company or the SDC? Can the broker accomplish this task, or must the investor take care of this detail? What, if any, confirmation statements will the investor receive when s/he makes a trade? Apart from commissions for transactions, will the broker charge additional fees for managing the client's assets?

5. **What are my rights and responsibilities as an investor?** Many investor education materials worldwide focus on investor rights. For example, in the western hemisphere, the North American Securities Administrators Association (representing Canada, Mexico, the fifty U.S. states, Puerto Rico, and Guam) has developed an “Investors Bill of Rights” (available online at http://www.nasaa.org/nasaa/scripts/prel_display.asp?rcid=39), the first three of which state that investors have the right:

- To “ask for and receive information from a firm about the work history and background of the person handling your account, as well as information about the firm itself.”
- To “receive complete information about the risks, obligations, and costs of any investment before investing.”
- To “receive recommendations consistent with your financial needs and investment objectives.”

But investors must also be aware of their responsibilities as investors. These start with the obligation to perform their own due diligence and analysis with respect to any investment they make — before they invest. Investors need to read the disclosures a company makes before they buy that company's securities. They need to inquire about, and assess, the quality of management. They need to understand the business model and strategy of the company. They need to analyze

the available financial data and compare the company's actual achievements as set forth in the financial results to what management said they would do. They have a duty to fully inform themselves of — and understand — the risks of investing. They also have a duty to keep track of their investments and to make adjustments in their portfolio as needed. This involves keeping an open dialogue with one's broker and reading one's account statements.

4. Ascertaining How Investors Learn Best

The next step in establishing an effective investor education program is to determine how investors learn best. People often learn locally — through schools, workplaces, newspapers and other media, and religious organizations. Designing a glitzy web site with all sorts of bells and whistles won't further the cause of financial literacy if the target audience doesn't have ready and reliable access to the Internet. Similarly, printing scores of the clearest, most concise, most useful brochures will make no sense at all if investors in any particular country tend not to read government publications or wouldn't know where to find them.

5. Identifying Partners for Conducting Financial Literacy Education

It is also important to determine who can help with the costs of developing and implementing a financial literacy program and who can help to deliver the JSC's messages to retail investors. In the U.S., public-private partnership has been essential for promoting financial literacy. The SEC's Office of Investor Education and Assistance (OIEA) works with numerous public and private organizations to foster educational programs — including other federal agencies that do have a mandate to promote financial literacy programs, industry association with technical expertise in particular products, and non-profit organizations that target particular audiences (such as youth, the elderly, minority groups, and women). In so doing, OIEA abides by strict ethical guidelines that prevent educational efforts from becoming commercial in nature. OIEA takes pains to assure that nothing the staff says could be interpreted as an endorsement or approval of any particular product, profession, individual, or entity.

The ASE and SDC appear to be eager to help the JSC create initiatives for educating investors. During one of my meetings with Dr. Saket and his fellow Commissioners, I also suggested that the JSC explore partnering with banking and insurance regulators to promote overall financial literacy. The JSC might also encourage Jordan's new Capital Market Registered Professionals Association to assume some degree of responsibility for financial literacy education — similar to the efforts undertaken in the U.S. by the Securities Industry Association (through its Securities Industry Foundation for Economic Education at www.siainvestor.com, the Investment Company Institute (www.ici.org), and the Bond Market Association (www.investinginbonds.com).

To the extent that consumer organizations (even if they are not specifically focused on issues in the financial industry) and other business associations exist, the JSC should consider those groups as well. The benefits of building partnerships include the

ability to extend the reach of the program, to share costs, to encourage best practices, and to build respect for regulators and the industry as a whole.

To avoid giving the impression that the JSC endorses any particular broker, brokerage firm, or product, its messages should remain balanced and non-commercial — even if the agency partners with the private sector to facilitate investor education.

B. Suggestions and Starting Points

Educational initiatives to help investors get the facts they need to make wise decisions and avoid costly mistakes will ideally have several components. One component might focus on investment choices — such as the various products available for purchase and the advantages and disadvantages of each. A second component might emphasize basic principles — such as asset allocation and diversification, short-versus long-term investing, and the consequences of fees, taxes, commissions, and other charges. A third might involve investor alerts — warnings about fraudulent programs and unlicensed brokers. A fourth component might aim to increase investor understanding of the role of the regulator. A fifth might emphasize an individual investor’s rights and responsibilities.

The following list provides my initial thoughts on how the JSC can put together a low-cost, comprehensive program for reaching out to investors:

1. Hire or Reassign Staff Dedicated to Investor Outreach

I cannot overemphasize the importance of having high-energy, knowledgeable staff to support and carry out whichever investor outreach efforts the JSC decides to implement. While it will be critical to have visible, high-level support from Dr. Saket and his fellow commissioners, the JSC will need to train others who can sustain the program behind the scenes over time.

The individuals who work on investor outreach ideally will have the following credentials: strong knowledge of Jordan’s securities laws, a keen understanding of how the capital market works in Jordan (and how markets work globally), a background in marketing or communications, the ability to write clearly and concisely in plain language, both the willingness and the ability to be a dynamic public speaker, and a high energy level. The ideal candidate will be able to reach out to individual investors on a level that can understand and yet have the sophistication to deal intelligently with fellow financial regulators, judges, brokers, and lawyers. As needed, the individuals who staff the JSC’s new International and Investor Affairs Department will have to be capable of stepping successfully into the shoes of Dr. Saket and his Commissioners as the public face for investor of the JSC and the Jordan capital market.

2. Develop and Distribute Key “Basics” Flyers and Brochures

Using the SDC’s single-sheet flyer as a model, the JSC could prepare a one-page, visually striking information sheet for investors that succinctly covers key points:

- Why individuals should invest in the Jordan capital market (i.e., the Jordan capital market has historically provided strong returns)
- How to get started (i.e., you'll need to open an account with a JSC-licensed brokerage firm — here's how to identify a broker and here are a few questions to ask about your account)
- Points to remember (i.e., investing in any security involves risk, there's no such thing as a guaranteed return, invest for the long-term, diversify your holdings to minimize risk, investing should be one component of a comprehensive wealth-building strategy, etc.)
- Where to turn for information and help (i.e., the JSC — you can learn more about public companies by visiting the JSC's (or ASE's) website, visiting the JSC's library, calling an investor hotline (if the JSC decides to establish one), etc.)

The idea is to create something easy for investors and potential investors to absorb that the JSC can readily distribute at public gatherings, include in mailings, or give to other entities to distribute. The key is to make the document brief but action-oriented — rather than merely list the URL of the JSC's website, the document should tell investors to “visit the JSC's website to find information about companies, more tips for investing wisely, or [fill in the blank with any additional action items the JSC wishes to promote]” or “visit the ASE's website to find current stock prices.”

Keeping it to a single page will reduce printing costs and increase the likelihood that it will be read. Anecdotally, in the U.S., OIEA has discovered that bookmarks with brief bullet points and contact information are much more popular at investor fairs than 24- to 36-page brochures. To the extent that the SDC is willing, the JSC could organize another investor outreach mailing, using the SDC's growing database of investor records as a way to reach known investors.

To complement this shorter piece, the JSC should also consider augmenting its current offering of investor brochures. I have been provided with two brochures aimed at investors — *Mutual Funds* and *The Jordan Capital Market*. Both read well and give investors a wealth of information, with the latter serving the dual purpose of explaining (through the story of Dina and her loom) how businesses can tap into the Jordan capital market. These brochures take the reader to a “second tier,” giving them a broader understanding of how Jordan's capital market works. The JSC should consider preparing similar publications or information sheets that delve deeper into the areas outlined above — for example, a comprehensive list of questions for investors to ask about their investments and the people who sell them and information about where to turn for help.

3. Identify or Create “Teachable Moments”

A “teachable moment” includes any experience that makes an individual likely to learn an important lesson. When a student graduates and gets his first job, the receipt of his first paycheck serves as a teachable moment on saving and perhaps opening a

bank account. In some faiths, marriage preparation programs provide teachable moments in which the new couple determines how to manage their joint finances. Continuing professional education seminars, whether medical, professional, or business-oriented, may also provide teachable moments.

This is one area that I did not have much opportunity to discuss during my initial round of meetings. Nevertheless, identifying or creating teachable moments and taking advantage of them will give the JSC an edge in delivering a message to receptive audiences. My initial thoughts on teachable moments include the following:

- a. **Broker Interactions:** Obviously, any interaction between a broker and his client — regardless of length or newness of the relationship — could serve as a teachable moment. The JSC could coordinate with brokerage firms or, as appropriate, the Capital Market Registered Professionals Association to encourage brokers to disseminate the JSC's investor education materials in client meetings or to make brochures available at their offices. The JSC could also encourage brokers to send periodic "statement stuffers" (such as the one-pager identified above in Item 1) to investors. While brokers might be reluctant to steer clients to regulators, the pitch to the brokerage community is that brokers should embrace any measures that inspire public trust and confidence in the market as a whole.
- b. **Student Contests:** The JSC could also create (and market to the media) teachable moments. For example, the JSC could sponsor a contest for secondary school or university students. Work with university professors, the JSC or ASE could stage a national or regional essay contest, the prize for which would be an internship with the JSC or ASE, or perhaps a dollar amount that the student could use to purchase a stock. In the U.S., the Department of the Treasury's Savings Bond Marketing Office for many years held an extremely popular state-by-state and national contest in which grade-school students designed a poster for savings bonds. The winners at various level received increasingly higher denomination savings bonds as prizes, and the overall contest winner had his or her picture featured in the following year's marketing materials for savings bonds. In Canada, this technique of holding student contests has been equally popular and has helped the students and their families and communities to learn more about investing.

4. Reach Investors Where They Gather

JSC staff expressed interest in conducting investor meetings across Jordan — similar to the Investors' Town Meeting program that former SEC Chairman Arthur Levitt instituted in the mid-1990s. While these sorts of events can be a terrific way to reach individuals, they can be costly to stage, especially with respect to advertising. In the absence of a pre-existing or captive audience, attracting attendees can require a great deal of staff time and energy. For that reason, the SEC has opted in recent years to send senior officials to appear or exhibit at events organized by other entities — such as national and regional meetings of the National Association of Investors Corporation or the American Association of Individual Investors — rather than take the lead in putting the events together.

My discussions with JSC, ASE, and SCD staff suggested that, apart from the speeches that Dr. Saket and other senior JSC officials currently make, investor events are rare, especially outside Amman and other urban centers. Nevertheless, to the extent that organizations of business people exist — entities akin to local chambers of commerce, trade unions, or professional societies — the JSC can tap into these groups. My understanding from SDC and JSC staff is that most individual investors in Jordan are doctors, shop owners, and other business people. Reaching out to these groups — and alerting the media in advance, as appropriate — can provide a low-cost way to attract new investors and reinforce sound principles with existing investors.

Two more immediate, low-cost measures for reaching investors where they gather include the following venues:

- a. **ASE Gallery:** Several hundred investors appear each day at the ASE’s investor gallery. The ASE and JSC should team together to provide investor information at that site. Both could set up kiosks or display units with posters and brochures, and they could also dedicate an on-site person to answer questions and take in complaints.
- b. **JSC Library:** JSC staff informed me that a fair number of the questions the agency receives come from individuals (often students) who visit the JSC’s library — the library apparently receives up to 30 visitors per day, approximately 10 of whom appear to be investors. Attendance at the library appears to be seasonal, driven primarily by the fiscal year-end reporting cycle or by the academic calendar. Nevertheless, the library may offer a venue to reach investors and those who follow the market. It would cost little to set up display units with posters and brochures.

To the extent that the JSC, ASE, or SDC can identify additional venues that similarly bring together those individuals the JSC wants to reach, then the JSC should explore working with the managers of those venues to post messages or arrange for seminars or periodic visits. This could be especially helpful in the context of the legal profession. Any sort of continuing legal education — for both judges and lawyers — provides rich ground for educating legal professionals not only about the new laws, but also about the Jordan capital market and how one can participate in it.

5. “Dear Colleague” Letters to Judges and Ministers

One tactic that members of Congress and other senior officials in the U.S. have used to educate and influence others is the “dear colleague” letter. Assuming no ethics or other restrictions preclude the use of this device in Jordan, JSC staff could prepare for Dr. Saket’s signature a brief letter that would go to all judges or all ministers announcing a new outreach initiative or the implementation of a significant new rule. The letter would make the recipient aware of not only the stated subject of the letter, but also the JSC itself.

6. Implement a Comprehensive Media Strategy

An effective media strategy can help increase public awareness of the JSC, enhance the agency's reputation, encourage the public to contact the JSC, and deliver educational messages to wider audiences. In the U.S., the SEC's Office of Public Affairs and OIEA have found that print, radio, and television reporters tend to respond to press releases that include action items and tips. For example, when announcing a high-profile enforcement case, the SEC's press release will not only discuss the facts of the case, but it will also include tips for investors on identifying and avoiding the type of fraud involved.

Although the JSC does not yet have a formal complaint-handling process and does not yet receive many complaints, complaint statistics can, down the road, provide a hook for a story. For example, if complaints about a particular product have increased over a particular time frame, the JSC could use that data to inform the public about the product and the issues (usually the scam) involved.

C. SEC Initiatives to Help Investors to Invest Wisely and Avoid Costly Mistakes

To the extent that the lessons learned by the SEC help, I provide this summary of OIEA's current initiatives. Over the past several years, OIEA has been pursuing low-cost initiatives to reach investors, especially those who don't know about the SEC's educational materials or visit its website. To that end, OIEA makes extensive use of the Internet to leverage its resources and expand the ways in which the agency communicates with investors. Key Internet initiatives have included the following:

- **Publication and Alerts** — Since the launch of the SEC's website nearly 10 years ago, OIEA has published hundreds of educational brochures, investor alerts, and short topics of interest to investors. Investors who visit the SEC's "Publications" page at <http://www.sec.gov/investor/pubs.shtml> can search for information using a targeted search engine, browse for information by subject matter, or view an alphabetical list of our publications.
- **Calculators** — In April 1999, the SEC unveiled its first web-based, interactive tool for investors, the Mutual Fund Cost Calculator. This calculator takes some of the mystery out of mutual funds by enabling investors to estimate and compare costs for different funds. It allows investors see in dollars and cents how costs can add up over time. Prior to the market decline in 2001, the SEC also licensed a Margin Tutorial (with interactive calculators) to educate investors about the risks of trading on margin. Rather than re-creating existing tools, the SEC provides on its "Calculators" web page (at <http://www.sec.gov/investor/tools.shtml>) more than half a dozen links to interactive tools from other federal agencies, self-regulatory organizations, and non-profit educational organizations.

- **Online Complaint Center** — In December 1999, OIEA and the Division of Enforcement jointly launched the SEC’s Online Complaint Center at <http://www.sec.gov/complaint.shtml>. Through this page, investors can file a complaint or provide the agency with tips on potential securities law violations. The type of behavior the investor selects when describing the nature of their complaint determines whether the complaint will be routed to OIEA or Enforcement. During fiscal 2003, the Complaint Center received a combined total of approximately 15,000 complaints. OIEA and Enforcement, like all other offices and divisions, also have email boxes to which investors and other members of the public may write with questions or other inquiries.
- **Interactive FAQ Feature** — In April 2001, the SEC licensed new interactive software to answer commonly asked questions through the “Fast Answers” page on the SEC’s website. By matching incoming questions against a pre-loaded database of questions and answers, the new software allows users to receive instant answers. Users may also use the software to send an email to the SEC. According to statistics provided by the vendor who licenses the software to the SEC, the “Fast Answers” page (at <http://sec.broaddaylight.com/sec/index.html>) had 124,164 unique visitors during fiscal 2003.
- **Fake “Scam” Site Initiative**—In January 2002, the SEC launched a fake “scam” website — <http://www.McWhortle.com> — to warn investors about fraud *before* they lose their money. McWhortle Enterprises Inc. purports to be “an established and well-known manufacturer” with a revolutionary product it plans to produce with the money it raises through an IPO. But the company doesn’t exist, and anyone who tries to “invest now” is greeted with an educational message that warns, “Watch out! — If you responded to an investment idea like this, you could get scammed.” Within weeks of its launch, the site got more than 1.5 million hits, and OIEA received more than 500 emails, nearly all of which were overwhelming positive. Over the past two years, OIEA has launched the following additional fake scam websites:
 1. “Old Glory” Fake Mutual Fund: <http://www.growthventure.com/oldglory>;
 2. “Guaranteed Returns Diversified, Inc.” Fake Hedge Fund: <http://www.growthventure.com/grdi>;
 3. “Parsons Heritage Off-shore Opportunities Ltd.” Fake Prime Bank Scheme: <http://www.growthventure.com/parsons>; and
 4. “Seek 2 Succeed” Fake Newsletter: <http://www.seek2succeed.com>, which links to several additional fake sites.

The dominant theme of the SEC’s investor education materials is “investigate *before* you invest.” OIEA encourages individuals to ask questions and to check out the background and credentials of any salesperson or financial professional they use. In an online publication entitled *Protect Your Money: Check Out Brokers and Advisers* (available online at <http://www.sec.gov/investor/brokers.htm>), the SEC tells investors

how to find out whether their brokers, investment advisers, or investment adviser representatives have a history of complaints or fraud. Not only does the brochure list the key questions every investor should ask, but it also provides investors with information on how to confirm whether a financial professional is, in fact, duly licensed. OIEA's online publications also provide investors with resources for researching companies and tips for avoiding fraud (see http://www.sec.gov/investor/pubs_subject.shtml#invsmt_research).

While OIEA cannot tell investors which products to purchase, the office can and does give investors the information they need to assess various products and investment strategies. For example, OIEA offers a wide range of publications on many common investment products, including mutual funds (*Invest Wisely: An Introduction to Mutual Funds* at <http://www.sec.gov/investor/pubs/inwsmf.htm>) and variable annuities (*Variable Annuities: What You Should Know* at <http://www.sec.gov/investor/pubs/varannty.htm>). OIEA also tells investors about the advantages and disadvantages of such strategies as day-trading and investing on margin. In addition, the office gives guidance on how investors can assess their portfolio.

All of these tips and publications are available at <http://www.sec.gov/investor.shtml>. To the extent that the JSC finds any of the SEC's publications useful, the JSC is free to take and use (or adapt accordingly) any of OIEA's publications. All of the educational materials on the SEC's website have been created by the staff of OIEA in the course of their work for the federal government. As such, those works are not copyrighted and may be copied, distributed, or adapted by anyone, including a fellow regulator.

D. Suggestions for Establishing an Investor Assistance Program

With respect to the implementation of a complaint and question handling process, I learned during my interviews with both JSC and ASE representatives that complaints currently tend to come in through informal, ad hoc channels — often through an investor approaching Dr. Saket, another JSC Commissioner, or high level staff of the ASE. To date, the number of individual investor complaints handled by the JSC remains low. Similarly, the ASE reported that it generally receives only 5 to 6 complaints per month, although the volume typically increases when a particular case breaks.

Based on these numbers, it is clear that dedicating significant staff resources to a complaints process makes no sense from an efficiency standpoint. Nevertheless, having a complaints process — and making the public aware of its existence — will likely increase the volume of investor questions and complaints. That will, in turn, allow the JSC to see first-hand the problems, concerns, and questions that investors have, which could potentially help the JSC to target its enforcement activities or to amend or impose new regulations on issuers, brokers, or other market participants.

Key elements of an effective assistance program include the following:

1. **Trained and competent staff** — The JSC could either hire new staff to handle investor complaints and questions or reassign existing staff (on either a permanent or rotating basis). The ideal candidates for the job of investor assistance specialist will possess:
 - a. knowledge of the securities laws and rules and the ability to spot issues,
 - b. familiarity with the range of investment choices (both fraudulent and legitimate), and
 - c. patience and good judgment (because it can be trying to deal with the public, especially an angry investor who has lost money).

Periodic training of investor assistance specialists can fill any gaps. In addition, it will be critical to designate in-house experts in other departments to serve as technical liaisons with whom the specialists can consult.

2. **Tools and technology to assist staff** — Investor assistance staff will need access to any internal databases so that they can quickly and easily find answers to key questions, such as whether a broker is licensed or a company files reports. They will also benefit from access to financial news, historical stock prices, and other financial information. To the extent it is feasible, access to an intranet resource center with links to form letters, canned research, training manuals, and contact lists would similarly be helpful. Investor assistance staff at OIEA constantly adapts previously created letters so as to avoid re-inventing the wheel with each new investor contact. This also assures consistency of responses from one specialist to another.
3. **Readily accessible ways for investors to contact the agency** — It is my understanding that the JSC plans to launch an investor hotline. To the greatest extent possible, this hotline should be staffed by live operators rather than recorded messages, and the operators should be trained on standard phone handling procedures to assure consistency of service. Staff in other departments who receive investor calls should be able, if appropriate, to transfer the caller to the hotline (knowing, of course, that the called will be well served).

The JSC might also consider setting up and publishing an online complaint center, designating a dedicated fax number, and establishing a single point of delivery for investor letters.

4. **Established operating procedures** — At a minimum, staff should be trained to:
 - a. Respond promptly (set reasonable deadlines and, if needed, send the investor an acknowledgement letter that lists what the JSC can and cannot do to help and how long a response will take);
 - b. Use standardized responses to maximize efficiency and assure consistency; and
 - c. Make appropriate referrals (both internally to other JSC departments and externally to a brokerage firm, the ASE, the SDC, another government ministry, an issuer, or another private entity).

5. **A database for recording, coding, and retrieving contacts** — OIEA uses a custom database that the SEC's Office of Information and Technology designed and developed nearly twenty years ago. Commercial, off-the-shelf software with some modifications could easily serve the JSC as well. The database should allow staff to record and retrieve the following key information from discreet fields in the database:
- a. Investor name, address, phone number, and/or email address
 - b. Name of entity and/or individual involved
 - c. Type of entity and/or individual involved
 - d. Name of security or product involved
 - e. Type of security or product involved
 - f. Type of conduct (i.e., a "problem code")
 - g. Market on which the security or product trades
 - h. Information about the handling of the complaint:
 - i. Date of correspondence
 - ii. Date received by JSC
 - iii. Records of any JSC contacts with or on behalf of the investor (including name of person contacted and date)
 - iv. Date the contact was closed
 - v. Results (e.g., "recovered JD 10,000" or "explained margin to investor")
 - vi. How the investor contacted the agency initially (e.g., phone, mail, fax, email, or complaint center (if one is established))

With respect to Item f, the type of conduct can either be the conduct as alleged by the investor or the problem as analyzed by the specialist. In the U.S., OIEA uses the latter while NASD and the NYSE use the former. The JSC may find it helpful to capture both the alleged conduct (i.e., the complaint as seen through the investor's eyes) and the conduct as analyzed by JSC staff (e.g., what an investor describes as a theft of securities could simply be a margin call situation).

Staff and managers should be able to query the database with specific queries (e.g., the number of complaints against Brokerage Firm XYZ) or to compile periodic reports (e.g., a quarterly or monthly report to JSC senior staff on the number of complaints and complaint trends). Various departments within the JSC could then use the information in the database to spot trends and thereby target enforcement resources, shape regulatory initiatives, and focus the JSC's investor education efforts.

My meetings with JSC and ASE staff focused on investor education more than investor assistance. However, I see the two as inextricably entwined and equally important. Several members of the JSC's staff thought it best to house the complaints process in the JSC's Legal Department. As long as the staff has the resources they need and have the freedom to communicate with other departments, it does not matter whether the complaints process resides within the new International and Investor Affairs Department, the Legal Department, or any other department. I would be delighted to provide more information, if desired, about the structure of the SEC's complaint handling process and OIEA's correspondence management database.